

NO PEACE IN THE VALLEY

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AFTER DECADES OF FIGHTING off large development in the Methow Valley, opponents cheered the cancellation of the proposed 1,200-acre Arrowleaf resort. But with the project gone, the fate of the land remains uncertain.

MAZAMA, Okanogan County - There is a saying here in the thirsty West: Whiskey is for drinking, but water is for fighting.

Nowhere of late does that maxim apply more than in the Methow Valley of north-central Washington state, where the cold snowmelt tumbles out of the North Cascades and splashes into the heart of a water war.

The strife claimed another victim last week:

The R.D. Merrill Co., a timber and real-estate concern from Seattle, withdrew plans for an upscale resort on 1,200 acres near Mazama. The project would have altered forever the appearance of the most serene and stunning corner of this high and remote valley.

At issue was how much water Merrill's proposed Arrowleaf Resort could suck from the ground and rivers. The company's failure to get that crucial question resolved forced Arrowleaf to fold in frustration, said Charlie Wright, chief executive officer.

"We gave it a genuine, good-faith college try," Wright said. "So to abandon it really is a heartbreaker."

Such news might have been greeted with glee by the clutch of sun-cured ranchers, back-to-the-landers, recreation junkies and cyber-aristocrats here who fiercely love the Methow, and have fought large development for decades.

"The future's not certain," said John Arum, an attorney for the groups that opposed Arrowleaf. "But I feel it's more certain than it has been for 25 years."

But as some cheered the end of Arrowleaf, others fretted: Arrowleaf, a carefully planned 560-home resort and golf course, might have trodden more kindly on the land than the willy-nilly development that could happen if Merrill sells its stake in small parcels.

"I'm not saying we're going to have doomsday after this," said John Hayes, a Mazama land-use planner who was not keen on the golf course but who supported the project. "It's the unknown."

A bountiful place

If ever there was a place whose future was worth worrying about, it is the Methow Valley.

Cradled by mountains and buffered by nearly 1 million acres of wilderness and other public lands, the 70-mile-long valley was scooped out and sanded by Ice Age glaciers. The valley is a transition zone, where ripsaw peaks of the West meet the rolling, lion-colored hills of the Okanogan in a pinched ribbon of land. Wet-loving firs mingle with heat-loving ponderosa pines that wear electric-green wolf lichen like tinsel.

Here the Yakama Indians found sun and deer so plentiful that they named it "place to have good time," according to a local history by Sally Portman. The valley so struck Owen Wister, the turn-of-the-century novelist who wrote "The Virginian," that he dubbed the place the "smiling country."

People once came here for logging, mining and ranching; now they arrive on mountain bikes, or to fish, ride horses and climb mountains. This time of year, they kick and glide around the nation's second-largest network of groomed cross-country ski trails.

But they also come for what Wister spoke of, a radiating peacefulness that unknots brows and makes blood pressures drop like mercury during the blue-cold nights that help create the valley's light, abundant snow.

Among visitors, Mazama is a valley favorite - little more than a zip code and country store at the northwest end, where granite walls knit the valley to a close and the Pasayten Wilderness stretches to Canada. The peace is most palpable in winter, when avalanches close the North Cascades Highway. Mazama's 150 registered voters snuggle in for four months of quiet, thinly linked to the outside world by a two-lane umbilical.

"It is the most beautiful property in the valley - there is no question," said Hayes, a 27-year resident and an architect of the highly praised

125-mile ski-trail system.

In 1974, after years of promotion by Methow Valley ranchers, Aspen Ski Company bought 1,200 acres near the base of Sandy Butte, and planned Early Winters, a massive ski area and destination resort that could lodge 7,000 people overnight.

As valley residents went to war over the resort, a messy legal history began. In 1989, one case reached the U.S. Supreme Court: The Forest Service won a unanimous decision that it had adequately studied the impacts of the ski area on public land.

But Aspen grew weary of never-ending lawsuits and sold Early Winters to a Bellevue-based group headed by Harry Hosey. The Hosey group, after spending some \$12 million on land and legal fees, ran out of money in 1992; Merrill bought the property at a foreclosure auction.

The company presented a scaled-down project that scrapped the ski area. Plans included a golf course, medical clinic, shopping area, homesites and lodge - and a promise that the buildings would mesh well with the stunning surroundings.

As a symbol of their intentions, the company in 1996 finished the Freestone Inn, an intimate, award-winning hotel of exposed peeled-pine beams and river rock in the shadow of Sandy Butte.

A vision left unrealized

On a recent afternoon, Tom Bartholomew drove his four-wheeler up snow-covered Cassal Ranch Road and pointed out the left window at a clearing in the trees. "This is the second fairway, right here," said Bartholomew, Arrowleaf's project manager.

Down the road, Bartholomew gestured to a meadow, where he could still picture the 100-room lodge. Its backdrop would have been the rutted granite face of Goat Wall, one of the valley's signature features.

At Shafer Meadow, he stopped the truck and stepped into the pearly dusk. Red-skinned ponderosa bordering the meadow stand to their ankles in fresh snow.

"I would be intellectually dishonest if I told you Arrowleaf's not going to change anything," he said. But the developers tried hard to be good neighbors, he said.

Homes would have been built to strict environmental standards. The golf course would have been watered with safe, treated sewage. Designers agreed to "reshaping the golf course at one time to save three cottonwood trees - one of which was dead," he said, still incredulous.

"Find another project that committed to hand-pick weeds on the golf course," he said. "There isn't one." Along the way, Merrill reduced its revenue expectations.

But Arrowleaf could never appease some people. "Everything that happens on this property gets appealed," Merrill said.

After nearly seven years of scant building, Terry O'Reilly laughed at his title of construction manager of the project.

"We've been more open-book, I think, than anybody; I just don't understand the paranoia," O'Reilly said. "I don't think the valley knows what it's lost."

At first, groups that had fought to kill the downhill-ski area agreed to work with Merrill. But another schism soon split residents, with some arguing that a scaled-down project was still too large for a sensitive landscape where the valley is scarcely a mile wide.

Mazama is a cornerstone for the ecological integrity of the valley, argued Lincoln Post, chairman of the Methow Valley Citizens Council, which led opposition to the project. Arrowleaf's plan also helped the valley earn a No. 2 ranking among the state's top 10 "Most Endangered Places of 1998" by 1,000 Friends of Washington, a group that urges control of growth.

But Wright, Merrill's chief officer, found some of the arguments disingenuous.

"In my mind, it was never about the environment," Wright said last week. "It was about a socioeconomic shift in the valley. Basically (opponents) didn't want to see rich, West-side types who like golf."

And according to the project's supporters, it wasn't the opponents who finally fought Arrowleaf to a standstill.

"It was the agencies," Bartholomew said. "The Department of Ecology, specifically."

Different views of the future

In October, the state agency issued "tentative findings" denying much-needed water to the project, citing some expired water rights and

others that could be used only for family farming.

"They gave us no water," Bartholomew said. "They were devastating to the project."

Arrowleaf's owners were further frustrated that the water permits could not be appealed until Ecology issues a decision - a process stalled for at least another year by issues involving salmon recovery, and by water-rights applications that came in ahead of Arrowleaf's.

Word of the project's collapse was sweet for longtime opponents such as Vicky Welch, who joined the fray soon after she moved here 26 years ago to farm organic garlic and beets with her husband, Ed.

As Scaffold Peak cleaved low snow clouds outside her log home above the Twisp River Valley, 30 miles south of Mazama, Welch spoke with awe of a walk she took on Arrowleaf's land last summer.

"I came across three fawns and a bear in three hours," Welch said. "The place is just loaded with wildlife. I don't want to see it turn into condos."

But others here say opposition to Arrowleaf was naive. The Methow is booming, and will change whether people like it or not. Some also had welcomed the prospect of new jobs, however low-paying, in a county where, even in flush times statewide, the unemployment rate can nudge 10 percent.

"I think it would have brought a lot of money into the valley," said Sherry Brose, 46, as she pulled pints of Outlaw Pale Ale for a skeleton crew of locals at the Winthrop Brewing Company on a recent evening.

"Most people don't want new people. At the same time," Brose motioned out the window to a restaurant, "this guy next door is going out of business."

`Lesser of the evils'

Outside the brewery, the empty plank sidewalks and false-front stores of Winthrop felt like props for a ghost town in a spaghetti western. The town sits in a wide, dry splay of the valley, 15 miles south of Mazama. The snow that brings skiers' money is late this year. Many of the 400 or so full-time residents grow increasingly nervous.

Valley residents who have watched vacation and retirement homes spring up around them like mushrooms saw in the Arrowleaf project careful planning and integrity.

"Basically it was the lesser of the evils - and they weren't going to do cheesy stuff," said Dick Roberts, chairman of the county's planning commission and a Mazama resident. He and his wife own North Cascades Basecamp, which would have sat just across the Methow River from the proposed resort.

"This was a solution most people could live with," agreed Hayes. "You have an opportunity to plan 1,200 acres" to retain open space, keep miles of ski trails intact in Mazama and ensure that gaudy mansions don't trump the topography.

In 1991, Hayes helped stop a different resort, complete with proposed polo club, planned for the Big Valley Ranch, an 800-plus acre site on land between Mazama and Winthrop that he then called "the very heart and soul of this valley." Residents persuaded the state Department of Wildlife to buy the entire tract, preserving it for ranching and as a wildlife corridor.

The Mazama property is now the only tract in the valley big enough to support a large-scale resort.

But with Arrowleaf dead, Hayes fears a pell-mell of out-of-character houses, each with separate driveways, fences and septic systems cluttering the place ski brochures tout as "paradise at road's end."

"If someone says that it won't happen, they're foolish," he said.

Miles of popular ski- and bike-trails wind through the tract, running beneath airy stands of ponderosa where wheels of homesteaders' wagons first rolled more than a century ago. Such lonesome trails are a major reason Seattleites drive five hours over snowy passes to spend their money here. Myriad owners could jeopardize such seamless trails, Hayes said.

Wright said his company is still mulling whether and how it will sell the property.

"We do know as a company we need to get our capital out," he said.

Under zoning codes, the 1,200 acres of forest and field could be subdivided into more than 200 two- and five-acre homesites, although attempts to do that are sure to invite more lawsuits.

A hefty price for preservation

Even celebrations of the demise of the Arrowleaf project are tempered by uncertainty about the future.

"I don't feel like this is an incredible victory, in the sense that it's over, because it isn't," Welch said.

Under an old agreement, the opposing Methow Valley Citizens Council gained first right-of-refusal to buy the land if Arrowleaf's plans fell through. But with all the legal machinations of the past few years, whether the deal is valid is unclear.

If it is, a deal would have to be struck and money raised fast, possibly within the next five months.

"We want to buy it right now, we just need to find the money," said Welch. "It's just like the Loomis."

She referred to the recent effort to protect the 40-square-mile Loomis State Forest northeast of here from logging. Philanthropists pooled more than \$16.5 million, including a \$3.4 million gift from Paul Allen, to buy and preserve the remote forest.

Those passionate about preserving the Methow are confident they can raise enough money to buy the Mazama site, although no one knows how much it would take. Bartholomew, the project manager, said "upwards of \$20 million" - roughly what Merrill had invested in Arrowleaf, including construction of the Freestone Inn and cabins, and extensive planning and legal fees.

Land in Mazama now sells for \$12,000 to \$40,000 per acre. At those prices, partial preservation may be more realistic than finding a single buyer to save all the land.

"I don't think it's unreasonable or unrealistic" to pin hope that a few conservation-minded buyers would be interested in such "primo" land, said Bill Pope, a former Microsoft attorney who owns the Mazama Country Inn and helped in the Loomis effort.

If so, the Thirty Years War will finally end, and there will be some peace in the valley once more.

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Development battle. Some Methow Valley residents have been fighting plans for a large-scale resorts in Mazama for about 30 years. The latest developer last week said it, too, would withdraw its plans:

1968 -- Seattle businessman and part-time Methow Valley rancher Doug Devin and a partner start looking for a developer to build ski lifts on 6,088-foot Sandy Butte at the northwest end of the valley in north-central Washington.

1974 -- Colorado-based Aspen Skiing Corp. takes an interest, calling the area "the best potential destination ski resort in the United States."

1976 -- Regional U.S. Forest Service officials complete a plan to allow Aspen to build a resort. Congress' passage of the National Forest Management Act made the plan moot before it could take effect.

1977 -- Aspen bails out in the face of growing environmental questions, and instead focuses on helping developer Whistler, B.C. The company keeps ownership of the Methow land, however.

1978 -- Devin forms Methow Recreation Inc. and takes over the battle Aspen began, with the intention of building a smaller ski area.

1981 - Officials from Okanogan National Forest unveil possibilities for a downhill resort, including a ski area with 16 lifts on nearly 3,900 acres.

1985 -- An Bellevue-based investment group that includes Devin and Harry Hosey buys Aspen's option and puts up about half of the \$12-16 million needed for the first phase of the Early Winters ski resort, which would include condominiums, shops and underground parking.

1989 - Fights by environmentalists and citizens reach the U.S. Supreme Court, which rules unanimously that the environmental studies by the Forest Service did not need to be expanded. Devin says a ski area could be operating by 1992. The company has already spent \$5-\$6 million.

January 1990 - Harry Hosey president of the investment group now called Early Winters Resort that has bought the land from Aspen, announces massive plans for a \$200 million, four-season resort that would be the largest city in Okanogan County. Early Winters Resort spends hundreds of thousands of dollars researching and applying for water rights for the project.

Late 1991 -- Hosey's group runs out of cash after additional legal challenges to Forest Service impact studies further delay the project.

1992 - Longtime Northwest real-estate and timber company R.D. Merrill, which had a financial stake in Hosey's project, buys the 1,200 acres on the valley floor at a foreclosure auction, along with stock and other holdings, for \$865,000.

1993 - Lowe Development, which partnered briefly with Merrill, announces plans for a three-stage resort about one-fourth the size of previous plans that scraps the downhill ski area. Environmental and citizen groups sign onto the scaled-down plan.

1996 -- The Okanogan County Commission clears the way for Merrill's Arrowleaf Resort, which would include up to 565 homes, two lodges, a golf course and shopping area. The developer promises to keep 750 acres as open space and says it will make Arrowleaf an environmental showpiece. Opposition materializes to fight the scaled-down plans, and years of litigation and appeals begin again.

October 15 - The state Department of Ecology issues "tentative findings" denying several key water-rights applications for the project. Arrowleaf cannot appeal until the rulings are final, perhaps a year from now, due to salmon-recovery issues and other applications in line before Merrill's.

Last Tuesday - Merrill withdraws its plans to build Arrowleaf, citing exasperation with Ecology and continued uncertainty about whether future water rights could be secured.

Research by Frank Vinluan, The Seattle Times.

• Caption: PHOTO: MAP1) HARLEY SOLTES / THE SEATTLE TIMES: TOM BARTHOLOMEW, ARROWLEAF PROJECT MANAGER, AND CONSTRUCTION MANAGER TERRY O'REILLY, RIGHT, VISIT THE SITE OF THE CANCELED RESORT.2) AFTER MOVING TO THE AREA 26 YEARS AGO, VICKY WELCH JOINED THE FIGHT AGAINST ATTEMPTS TO BUILD A RESORT IN THE METHOW VALLEY. "THE PLACE IS JUST LOADED WITH WILDLIFE. I DON'T WANT TO SEE IT TURN INTO CONDOS," SHE SAID.3) HARLEY SOLTES / THE SEATTLE TIMES: MOST OF THE GROOMED SKI TRAILS IN THE MAZAMA AREA COULD BE CUT OFF FROM PUBLIC USE IF THE ABANDONED ARROWLEAF DEVELOPMENT IS SOLD IN SMALL PARCELS. THE 125 MILES OF TRAIL IN THE VALLEY MAKE UP THE NATION'S SECOND-LARGEST NETWORK OF GROOMED CROSS-COUNTRY TRAILS.4) A MAN WALKS HIS DOG DOWN THE QUIET STREETS OF WINTHROP ON A FALL DAY. VARIOUS GROUPS HAVE FOUGHT DEVELOPMENT IN THE METHOW VALLEY FOR DECADES, TRYING TO KEEP SMALL TOWNS IN THE AREA FROM BECOMING BUSTLING TOURIST-FILLED RESORTS SUCH AS WHISTLER, B.C., OR ASPEN, COLO.5) THE SEATTLE TIMES: METHOW VALLEY (MAP NOT AVAILABLE ELECTRONICALLY)

• Index terms: DEVELOPMENT BATTLE (SEE END OF TEXT); DEVELOPMENT BATTLE (SEE END OF TEXT)

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